

Message Text

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PAGE 01 BANGKO 04005 111222Z

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ACTION EA-10

INFO OCT-01 ISO-00 OPIC-03 COME-00 SP-02 AID-05 EB-07

NSC-05 CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01

INT-05 GSA-01 EUR-12 CU-02 PM-03 L-02 H-02 CIAE-00

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FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC 1479

C O N F I D E N T I A L BANGKOK 4005

PASS OPIC

E.O. 11652: GDS

TAGS: EMIN, EINV, TH

SUBJECT: TEMCO

REF: A. BANGKOK 3622; B. STATE 047979; C. BANGKOK 3968

1. OPIC REP. HUNT AND EMOFF MET MARCH 10 WITH P.J.L. LYONS, CHAIRMAN AND MANAGING DIRECTOR OF THAILAND EXPLORATION AND MINING CO., LTD. (TEMCO) AND THAILAND SMELTING AND REFINERY COMPANY, LTD. THAISARCO), WHO IS BRITISH. MEETING INCLUDED VICE-CHAIRMAN GRAHAM A. NELSON (AMERICAN) AND FINANCE MANAGER C.B. ALBERTI (DUTCH). GILLESPIE OF UNION CARBIDE CORP. (UCC) RETURNED TO NEW YORK MARCH 8.

2. TEMCO OFFICIALS EXPRESSED HOPE THAT BANGKOK POST SERIES (REFTEL C) WOULD HELP COUNTER GROWING AGITATION FOR CANCELLATION OF TEMCO MINING CONCESSION. THEY APPEAR TO ACCEPT AS INEVITABLE THAT ANY NEW THAI GOVERNMENT WILL FEEL CONSTRAINED TO "DO SOMETHING" ABOUT CASE, AND COMPANY'S HOPE SEEMS TO BE THAT THIS "SOMETHING" WILL BE ACTION WHICH WILL PERMIT THEM TO CONTINUE OPERATING IN THAILAND. CONCEIVABLY THIS COULD EVEN INVOLVE UNCONTESTED
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PAGE 02 BANGKO 04005 111222Z

CANCELLATION OF MINING CONCESSION, WITH TEMCO CONTINUING

MINING UNDER CONTRACT TO THAI GOVERNMENT AND RETAINING OWNERSHIP AND CONTROL OF SMELTER. SHORT OF THIS, COMPANY APPEARS OPEN TO RTG PARTICIPATION BEYOND 8 PERCENT ALREADY GIVEN, BUT THIS ISSUE HAS NOT BEEN RAISED ON GOVERNMENT SIDE.

3. LYONS TAKES VIEW THAT TIME FOR EXPLORING POSSIBLE MODUS VIVENDI IS WHEN A NEW THAI GOVERNMENT TAKES HOLD. PREMATURE EXPLORATION OF COMPROMISE AREAS COULD JEOPARDIZE ULTIMATE OUTCOME. OPIC REP SUSPECTS UCC NEW YORK UNLIKELY TO INDICATE AS MUCH FLEXIBILITY TO USG AT THIS STAGE AS DID LOCAL MANAGEMENT.

4. OPIC REP ASKED WHETHER BILLITON ASSUMED PORTION OF UCC'S LIABILITY AS GUARANTOR OF MITSUI LOAN (COVERED UNDER OPIC CONTRACT NO. 8459) WHEN BILLITON BOUGHT INTO TEMCO. LOCAL REPS UNCERTAIN, AND FRANKLIN SHOULD CONFIRM THROUGH GILLESPIE.

5. LYONS STATES TEMCO'S MINING OUTPUT IS ACQUIRED BY SWISS-BASED UCC-BILLITON TRADING COMPANY AT PENANG MARKET PRICE AND PUT THROUGH SMELTER ON ESSENTIALLY A TOLLING BASIS. RTG REVENUES FROM TEMCO ARE FROM 30 PERCENT CORPORATE PROFIT TAX AND A ROYALTY BASED ON QUANTITY OF TIN CONCENTRATES DELIVERED TO SMELTER PLUS FUTURE DIVIDENDS ON 8 PERCENT EQUITY SHARE. CONCESSION CONFERS NO SPECIAL TAX PRIVILEGES.
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